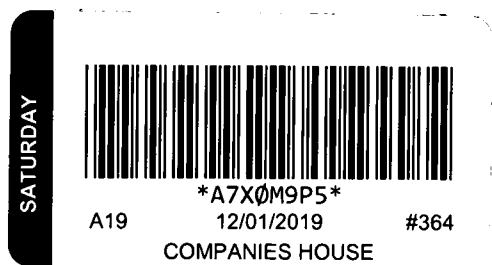


Registered number: 06641019

British American Railway Services Limited

Annual report and financial statements

For the year ended 31 December 2017



British American Railway Services Limited

Company Information

Directors

E Ellis
H M McConville

Registered number

06641019

Registered office

Stanhope Station
Stanhope
Bishop Auckland
County Durham
DL13 2YS

Independent auditors

Kreston Reeves LLP
Chartered Accountants & Statutory Auditors
Third Floor
24 Chiswell Street
London
EC1Y 4YX

British American Railway Services Limited

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British American Railway Services Limited

Group strategic report For the year ended 31 December 2017

Introduction

The directors present their strategic report for the year ended 31 December 2017.

The principal activity of British American Railways Services Limited in the financial year under review was to provide through its subsidiaries services in the fields of locomotive hire and maintenance, railway track maintenance, and operation of two short line (heritage) railways.

Business review

2017 was another challenging year for British American Railway Services (BARS). Consolidated turnover declined 36% to £3.4 million, and the profit for the year jumped to £3.5 million from a loss of £(2.2) million in 2016 as a result of the sale of DCR.

- Dartmoor Railway's CIC turnover decreased 37% to £537,970, on the change of the Christmas event in November/December from a franchised themed operation to format developed in-house. Dartmoor's loss increased to £(275,202) due to the drop in sales and an increase in expenses.
- Devon & Cornwall Railway Limited (DCR) was sold at end of the year, thus ending the significant cash drain that DCR imposed on BARS.
- Rail Management Services Limited also had a difficult year, as turnover dropped 20%. However, the loss decreased to £(767,118) from 2016's loss £(817,117). Within the RMS group, the locomotive hire operation was profitable, the track maintenance unit suffered increased losses, and the administration unit reduced expenses, with the largest single item being a reduction in salaries and depreciation expense.
- Weardale Railway's CIC turnover decreased by 59% from 2016 to £660,138. Weardale's loss increased to £(449,481). As with Dartmoor Railway, the shift from a franchised Christmas event to an event developed in-house hurt turnover.

2017 Outlook

Despite the fact that DCR offering substantial potential when the proposed London terminal opens, the continuing delays in making the terminal operational, and DCR management's inability to secure profitable business in the meantime, created a cash drain on the company that could not continue to be tolerated. Accordingly, DCR was sold in November, 2017. Benefits of this transaction include the fact that BARS is now essentially debt free, and that ongoing payments from DCR's purchaser will significantly improve BARS' working capital situation and liquidity.

Simultaneous with the sale of DCR, RMS terminated its receivables factoring. This action will save the company approximately £50,000 annually.

The company's near term challenge is to improve margins and reduce the backlog of vendor payments at all the business units.

British American Railway Services Limited

**Group strategic report (continued)
For the year ended 31 December 2017**

Management Changes

Edwin Ellis remains president.

Garcia Hanson, managing director of DCR, stayed with DCR under its new owners and is no longer a BARS director.

Howard Clark III, previously responsible for RMS, Dartmoor and Weardale, relinquished these roles to concentrate on his responsibilities at Iowa Pacific. Bill Warriner, who has been financial controller, has assumed responsibility for RMS, Dartmoor, and Weardale, while continuing his financial controller role. His new title is executive general manager.

While Kevin Busath resigned as director on 1st February 2017, he continues to assist the directors in his role as Vice President – Strategic Planning of the ultimate holding company.

Principal Risks and Uncertainties

Cash flow will remain an issue for the near term. However, sale of DCR and winding down of track maintenance will eliminate the cash drain that these operations represented, and will enable the company to focus on the profitable locomotive hire and heritage railway operations. In addition, the cash stream from the sale of DCR will significantly improve liquidity.

The United Kingdom's pending exit from the European Union ("Brexit") continues to add an element of uncertainty to the UK's economic outlook, but at this point the directors are unable to identify any specific turnover risk to BARS as a result of Brexit.

This report was approved by the board on 18 December 2018 and signed on its behalf.



E Ellis
Director

British American Railway Services Limited

Directors' report For the year ended 31 December 2017

The directors present their report and the financial statements for the year ended 31 December 2017.

Results and dividends

The profit for the year, after taxation and non-controlling interest, amounted to £3,644,749 (2016: Loss £2,214,606).

No dividend is recommended for the year.

Directors

The directors who served during the year were:

E Ellis
H M McConville

Going concern

The directors have reviewed the group's objective, risk and management policies along with the market positioning, forecasts and cash flow projections. As a result and in light of the confirmed support of the ultimate parent company the directors have concluded that the company has adequate and sufficient resources to continue to adopt a going concern basis in preparing the financial statements.

Directors' responsibilities statement

The directors are responsible for preparing the Group strategic report, the Directors' report and the consolidated financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Group's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Matters covered in the strategic report

Items required under Schedule 7 to be disclosed in the directors' report are set out in strategic report in accordance with s.414C(11) CA 2006.

British American Railway Services Limited

**Directors' report (continued)
For the year ended 31 December 2017**

Disclosure of information to auditors

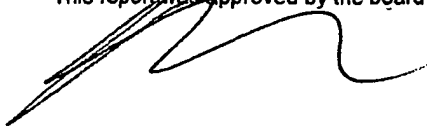
Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company and the Group's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditors are aware of that information.

Auditors

The auditors, Kreston Reeves LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 18 December 2018 and signed on its behalf.



E Ellis
Director

British American Railway Services Limited

Independent auditors' report to the shareholders of British American Railway Services Limited

Opinion

We have audited the financial statements of British American Railway Services Limited (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2017, which comprise the Group Statement of comprehensive income, the Group and Company Balance sheets, the Group Statement of cash flows, the Group and Company Statement of changes in equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2017 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter related to going concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure made in note 1.3 to the financial statements concerning the group's ability to continue as a going concern.

In the year ended 31 December 2017 the group has incurred an operating loss of £2,889,570 (2016: £1,884,125) and has a balance sheet total net liability position of £9,182,512 (2016: £14,854,138). In order to continue operations for the next 12 months the group is dependent upon continued support from the group's key debt provider it's the parent company. This condition indicates the existence of a material uncertainty which may cast significant doubt as to the group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group was unable to continue as a going concern.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditors' report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are

British American Railway Services Limited

Independent auditors' report to the shareholders of British American Railway Services Limited (continued)

required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Group strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Group strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of direc' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.
- the direc were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the Directors' report and from the requirement to prepare a Group strategic report.

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement on page 3, the direc are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the direc determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the direc are responsible for assessing the Group's and the parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the direc either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

British American Railway Services Limited

Independent auditors' report to the shareholders of British American Railway Services Limited (continued)

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Stephen Tanner BSc(Econ) FCA (Senior statutory auditor)

for and on behalf of
Kreston Reeves LLP

Chartered Accountants
Statutory Auditor

Third Floor
24 Chiswell Street
London
EC1Y 4YX

Date: 9th January, 2019

British American Railway Services Limited

**Consolidated statement of comprehensive income
For the year ended 31 December 2017**

	Note	Continuing operations 2017 £	Discontinued operations 2017 £	Total 2017 £	Continuing operations 2016 £	Discontinued operations 2016 £	Total 2016 £
Turnover	3	2,062,183	1,315,611	3,377,794	3,501,728	1,698,413	5,200,141
Cost of sales		(1,668,753)	(2,008,234)	(3,676,987)	(2,442,454)	(1,900,845)	(4,343,299)
Gross (loss)/profit		<u>393,430</u>	<u>(692,623)</u>	<u>(299,193)</u>	<u>1,059,274</u>	<u>(202,432)</u>	<u>856,842</u>
Administrative expenses		(1,983,279)	(607,098)	(2,590,377)	(2,306,220)	(434,747)	(2,740,967)
Operating loss	4	<u>(1,589,849)</u>	<u>(1,299,721)</u>	<u>(2,889,570)</u>	<u>(1,246,946)</u>	<u>(637,179)</u>	<u>(1,884,125)</u>
Profit on sale of subsidiary		6,628,903	-	6,628,903	-	-	-
Interest payable and expenses	7	(206,954)	-	(206,954)	(339,166)	-	(339,166)
Profit/(loss) before taxation		<u>4,832,100</u>	<u>(1,299,721)</u>	<u>3,532,379</u>	<u>(1,586,112)</u>	<u>(637,179)</u>	<u>(2,223,291)</u>
Profit/(loss) for the financial year		<u>4,832,100</u>	<u>(1,299,721)</u>	<u>3,532,379</u>	<u>(1,586,112)</u>	<u>(637,179)</u>	<u>(2,223,291)</u>
Total comprehensive income for the year				<u>3,532,379</u>			<u>(2,223,291)</u>
Profit/(loss) for the year attributable to:							
Non-controlling interests		(112,370)	-	(112,370)	(8,685)	-	(8,685)
Owners of the parent Company		<u>4,944,470</u>	<u>(1,299,721)</u>	<u>3,644,749</u>	<u>(1,577,427)</u>	<u>(637,179)</u>	<u>(2,214,606)</u>
		<u>4,832,100</u>	<u>(1,299,721)</u>	<u>3,532,379</u>	<u>(1,586,112)</u>	<u>(637,179)</u>	<u>(2,223,291)</u>

There were no recognised gains and losses for 2017 or 2016 other than those included in the consolidated statement of comprehensive income.

The notes on pages 15 to 30 form part of these financial statements.

British American Railway Services Limited
Registered number: 06641019

Consolidated balance sheet
As at 31 December 2017

	Note	2017 £	2016 £
Fixed assets			
Intangible assets	10	(209,742)	(241,160)
Tangible assets	11	4,821,961	4,856,912
		<u>4,612,219</u>	<u>4,615,752</u>
Current assets			
Stocks	13	158,994	204,954
Debtors: amounts falling due after more than one year	14	3,656,697	-
Debtors: amounts falling due within one year	14	2,140,697	1,488,808
Cash at bank and in hand	15	64,955	161,613
		<u>6,021,343</u>	<u>1,855,375</u>
Creditors: amounts falling due within one year	16	(15,203,855)	(16,709,513)
Net current liabilities		<u>(9,182,512)</u>	<u>(14,854,138)</u>
Total assets less current liabilities		<u>(4,570,293)</u>	<u>(10,238,386)</u>
Creditors: amounts falling due after more than one year	17	(460,481)	(413,000)
Provisions for liabilities			
Net assets excluding pension asset		<u>(5,030,774)</u>	<u>(10,651,386)</u>
Net liabilities		<u>(5,030,774)</u>	<u>(10,651,386)</u>
Capital and reserves			
Called up share capital	20	1,000	1,000
Other reserves	19	571,247	571,247
Profit and loss account	19	(5,558,172)	(11,291,154)
Equity attributable to owners of the parent Company		<u>(4,985,925)</u>	<u>(10,718,907)</u>
Non-controlling interests		(44,849)	67,521
		<u>(5,030,774)</u>	<u>(10,651,386)</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 18 December 2018.


E Ellis
Director

The notes on pages 15 to 30 form part of these financial statements.

British American Railway Services Limited
Registered number: 06641019

Company balance sheet
As at 31 December 2017

	Note	2017 £	2016 £
Fixed assets			
Investments	12	2,652,060	2,652,070
		<u>2,652,060</u>	<u>2,652,070</u>
Current assets			
Debtors: amounts falling due after more than one year	14	3,656,697	-
Debtors: amounts falling due within one year	14	1,419,007	3,984,460
Cash at bank and in hand	15	833	15
		<u>5,076,537</u>	<u>3,984,475</u>
Creditors: amounts falling due within one year	16	(2,793,426)	(7,972,164)
Net current assets/(liabilities)		<u>2,283,111</u>	<u>(3,987,689)</u>
Total assets less current liabilities		<u>4,935,171</u>	<u>(1,335,619)</u>
Creditors: amounts falling due after more than one year	17	(160,481)	(113,000)
Net assets excluding pension asset		<u>4,774,690</u>	<u>(1,448,619)</u>
Net assets/(liabilities)		<u>4,774,690</u>	<u>(1,448,619)</u>
Capital and reserves			
Called up share capital	20	1,000	1,000
Other reserves	19	571,247	571,247
Profit and loss account brought forward	(2,020,866)	(1,827,156)	
Profit/(loss) for the year	6,223,309	(193,710)	
Profit and loss account carried forward		<u>4,202,443</u>	<u>(2,020,866)</u>
		<u>4,774,690</u>	<u>(1,448,619)</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 18 December 2018.


E Ellis
Director

The notes on pages 15 to 30 form part of these financial statements.

British American Railway Services Limited

**Consolidated statement of changes in equity
For the year ended 31 December 2017**

	Called up share capital	Other reserves	Profit and loss account	Equity attributable to owners of parent Company	Non- controlling interests	Total equity
	£	£	£	£	£	£
At 1 January 2017	1,000	571,247	(11,291,154)	(10,718,907)	67,521	(10,651,386)
Comprehensive income for the year						
Profit for the year	-	-	3,644,749	3,644,749	(112,370)	3,532,379
Total comprehensive income for the year	-	-	3,644,749	3,644,749	(112,370)	3,532,379
Realisation of profit and loss account on disposal	-	-	2,088,233	2,088,233	-	2,088,233
Total transactions with owners	-	-	2,088,233	2,088,233	-	2,088,233
At 31 December 2017	1,000	571,247	(5,558,172)	(4,985,925)	(44,849)	(5,030,774)

The notes on pages 15 to 30 form part of these financial statements.

British American Railway Services Limited

**Consolidated statement of changes in equity
For the year ended 31 December 2016**

	Called up share capital	Other reserves	Profit and loss account	Equity attributable to owners of parent Company	Non- controlling interests	Total equity
	£	£	£	£	£	£
At 1 January 2016	1,000	571,247	(9,076,548)	(8,504,301)	76,206	(8,428,095)
Comprehensive income for the year						
Loss for the year	-	-	(2,214,606)	(2,214,606)	(8,685)	(2,223,291)
Total comprehensive income for the year	-	-	(2,214,606)	(2,214,606)	(8,685)	(2,223,291)
Total transactions with owners	-	-	-	-	-	-
At 31 December 2016	1,000	571,247	(11,291,154)	(10,718,907)	67,521	(10,651,386)

The notes on pages 15 to 30 form part of these financial statements.

British American Railway Services Limited

**Company statement of changes in equity
For the year ended 31 December 2017**

	Called up share capital	Other reserves	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2017	1,000	571,247	(2,020,866)	(1,448,619)
Comprehensive income for the year				
Profit for the year	-	-	6,223,309	6,223,309
Total comprehensive income for the year	-	-	6,223,309	6,223,309
At 31 December 2016	<u>1,000</u>	<u>571,247</u>	<u>4,202,443</u>	<u>4,774,690</u>

The notes on pages 15 to 30 form part of these financial statements.

**Company statement of changes in equity
For the year ended 31 December 2016**

	Called up share capital	Other reserves	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2016	1,000	571,247	(1,827,156)	(1,254,909)
Comprehensive income for the year				
Loss for the year	-	-	(193,710)	(193,710)
Total comprehensive income for the year	-	-	(193,710)	(193,710)
At 31 December 2016	<u>1,000</u>	<u>571,247</u>	<u>(2,020,866)</u>	<u>(1,448,619)</u>

The notes on pages 15 to 30 form part of these financial statements.

British American Railway Services Limited

**Consolidated statement of cash flows
For the year ended 31 December 2017**

	2017 £	2016 £
Cash flows from operating activities		
Profit/(loss) for the financial year	3,532,379	(2,223,291)
Adjustments for:		
Amortisation of intangible assets	(31,418)	(31,417)
Depreciation of tangible assets	262,853	346,657
Loss on disposal of tangible assets	(264,495)	-
Interest paid	206,954	339,166
Decrease/(increase) in stocks	45,960	(69,847)
(Increase) in debtors	(4,308,586)	(306,127)
Increase in creditors	150,322	209,010
(Decrease)/increase in amounts owed to groups	(1,801,051)	1,275,889
Fixed asset Impairments	-	418,735
Net cash generated from operating activities	<u>(2,207,082)</u>	<u>(41,225)</u>
Cash flows from investing activities		
Purchase of tangible fixed assets	(7,889)	(58,353)
Sale of tangible fixed assets	409,575	-
Proceeds from sale of investments	3,013,594	-
HP interest paid	-	(13,974)
Net cash from investing activities	<u>3,415,280</u>	<u>(72,327)</u>
Cash flows from financing activities		
Other new loans	-	534,623
Repayment of other loans	(1,084,468)	-
Repayment of/new finance leases	(6,667)	(27,175)
Interest paid	(206,954)	(325,192)
Net cash used in financing activities	<u>(1,298,089)</u>	<u>182,256</u>
Net (decrease)/increase in cash and cash equivalents	(89,891)	68,704
Cash and cash equivalents at beginning of year	133,191	64,487
Cash and cash equivalents at the end of year	<u>43,300</u>	<u>133,191</u>
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	64,955	161,613
Bank overdrafts	(21,655)	(28,422)
	<u>43,300</u>	<u>133,191</u>

The notes on pages 15 to 30 form part of these financial statements.

British American Railway Services Limited

Notes to the financial statements For the year ended 31 December 2017

1. Accounting policies

1.1 Legal form

British American Railways Services Limited (the Company) is a limited company incorporated and domiciled in the United Kingdom. The address of its registered office and principal place of business are disclosed on the company information page. The principal activity of the group is that of providing services in the fields of railway track maintenance, locomotive hire and maintenance and statutory railway operation including associated leisure and freight services.

1.2 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Company's accounting policies (see note 2).

The following principal accounting policies have been applied:

1.3 Going concern

Notwithstanding that the group has net current liabilities of £9,182,512 (2016: £14,854,138) at the balance sheet date and has made an operating loss for the year of £2,889,580 (2016: £1,884,125) the financial statements have been prepared on a going concern basis.

The Group's detailed cash flow forecasts and budgets show that the Group would have sufficient working capital for a period of at least a year from the date these Financial Statements are approved. This is based on the assumptions that the budgeted forecasts are achievable. Additionally, its ultimate parent undertaking IOWA Pacific Holding LLC, has provided undertakings that it will continue to support British American Railways Services Limited financially in order to continue as a going concern 12 months from the date of approval of the financial statements.

Given the above, the directors consider it appropriate to adopt a going concern basis in preparing the financial statements.

1.4 Basis of consolidation

The financial statements consolidate the accounts of British American Railway Services Limited and all of its subsidiary undertakings ('subsidiaries').

1.5 Turnover

Turnover comprises revenue recognised by the group in respect of goods and services supplied during the year, exclusive of Value Added Tax and trade discounts. Turnover is recognised when earned in accordance with obligations delivered.

Income from the hire of rolling stock is credited to the profit and loss account on a straight line basis over the period of the lease.

**Notes to the financial statements
For the year ended 31 December 2017**

1. Accounting policies (continued)

1.6 Intangible assets

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the Group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, Goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Profit and loss account over its useful economic life.

Amortisation is provided at the following rates:

Negative goodwill	- over 14 years
Goodwill	- over 10 years

The company has taken advantage of the exemption available under FRS 102 Section 35.10(a) not to restate the carrying value of goodwill.

1.7 Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation. Depreciation is not charged on freehold land. Depreciation on other tangible fixed assets is provided at rates calculated to write off the cost of those assets, less their estimated residual value, over their expected useful lives.

Depreciation is provided on the following basis:

Freehold property	- 2% & 4% straight line
Leasehold improvements	- over the term to expiry of lease
Plant and machinery	- 25% straight line
Vehicles and rolling stock	- 10 - 20% straight line
Furniture, fittings and equipment	- 25% straight line

1.8 Operating leases: the Group as lessee

Rentals paid under operating leases are charged to the Consolidated statement of comprehensive income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

The company has taken advantage of the exemption available under FRS 102 Section 35.10(p) not to restate the lease incentive term as the lease commenced before the date of transition.

1.9 Investments

Investments in subsidiaries are valued at cost less provision for impairment.

1.10 Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

**Notes to the financial statements
For the year ended 31 December 2017**

1. Accounting policies (continued)

1.11 Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each balance sheet date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each balance sheet date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

1.12 Debtors

Short term debtors are measured at transaction price, less any impairment.

1.13 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

1.14 Financial instruments

The Group only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

1.15 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

1.16 Finance costs

Finance costs are charged to the Consolidated statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

**Notes to the financial statements
For the year ended 31 December 2017**

1. Accounting policies (continued)

1.17 Pensions

Defined contribution pension plan

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in the Consolidated statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance sheet. The assets of the plan are held separately from the Group in independently administered funds.

1.18 Borrowing costs

All borrowing costs are recognised in the Consolidated statement of comprehensive income in the year in which they are incurred.

1.19 Pensions

The group operates a defined contribution pension scheme and the pension charge represents the amounts payable by the group to the fund in respect of the year.

1.20 Invoice discounting

The group has an agreement whereby the majority of its trade debtors are invoice discounted, with recourse after 75 days. On the basis that the benefit and risks attaching to the debts remain with the company, a separate presentation has been adopted, in accordance with the Financial Reporting Standard 102. On this basis the gross debts are included as an asset within trade debtors and the proceeds received are included within other creditors as a liability.

1.21 Taxation

Tax is recognised in the Consolidated statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company and the Group operate and generate income.

Notes to the financial statements
For the year ended 31 December 2017

2. Judgments in applying accounting policies and key sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical judgements in applying the entity's accounting policies

(i) Going concern

The directors consider the company to be a going concern, for the reasons as detailed in Note 1.3 to these financial statements.

(ii) Deferred tax

Assessing whether the company will have sufficient available profits in the future to utilise taxable trade losses against requires judgement. For the reasons detailed in Note 10 the directors have decided not to recognise a deferred tax asset in these financial statements.

(b) Key accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. The resulting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

(i) Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See Note 13 for the carrying amount of the property, plant and equipment, and Note 1.7 for the useful economic lives of each class of assets.

(ii) Useful economic lives of goodwill

The annual amortisation charge for intangible assets is sensitive to changes in the estimated useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on economic utilisation of the assets. See Note 12 for the carrying amount of the goodwill, and Note 1.6 for the useful economic life.

3. Turnover

The whole of the turnover is attributable to related railway services. These services comprise of railway track maintenance, locomotive hire and maintenance, a short-line railway operation and a licensed freight operation.

	2017	2016
	£	£
Turnover	3,377,794	5,200,141
	<u>3,377,794</u>	<u>5,200,141</u>

All turnover arose within the United Kingdom.

British American Railway Services Limited

Notes to the financial statements For the year ended 31 December 2017

4. Operating loss

The operating loss is stated after charging:

	2017 £	2016 £
Auditors remuneration	48,500	47,800
Other operating lease rentals	39,000	38,500
	<u> </u>	<u> </u>

5. Employees

Staff costs, including directors' remuneration of the group, were as follows:

The average monthly number of employees, including the directors, during the year was as follows:

	2017 No.	2016 No.
Employees	58	71
	<u> </u>	<u> </u>

The Company has no employees other than the directors, who did not receive any remuneration (2016 - £60,000)

6. Directors' remuneration

	2017 £	2016 £
Directors' emoluments	-	60,000
	<u> </u>	<u> </u>

7. Interest payable and similar expenses

	2017 £	2016 £
Other loan interest payable	206,954	325,192
Finance leases and hire purchase contracts	-	13,974
	<u>206,954</u>	<u>339,166</u>

8. Taxation

	2017 £	2016 £
Total current tax	-	-
	<u> </u>	<u> </u>

British American Railway Services Limited

Notes to the financial statements For the year ended 31 December 2017

8. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2016 - lower than) the standard rate of corporation tax in the UK of 19.25% (2016 - 20%). The differences are explained below:

	2017 £	2016 £
Profit/(loss) on ordinary activities before tax	3,532,379	(2,223,291)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016 - 20%)	679,983	(444,658)
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	70,719	-
Non-taxable income	(1,276,066)	-
Unrelieved tax losses carried forward	525,364	444,658
Total tax charge for the year	-	-

Factors that may affect future tax charges

A deferred tax asset has not been recognised in respect of timing differences relating to trading losses, accelerated capital allowances and short term timing differences as there is insufficient evidence that the asset will be recovered in the foreseeable future.

The group has unutilised trading losses of £9,954,267 (2016: £8,424,254) available to carry forward against future trading profits.

9. Parent Company Profit for the year

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of comprehensive income in these financial statements. The profit after tax of the parent Company for the year was £6,223,329 (2016: loss of £94,435).

British American Railway Services Limited

**Notes to the financial statements
For the year ended 31 December 2017**

10. Intangible assets

Group and Company

	Goodwill £	Negative goodwill £	Total £
Cost			
At 1 January 2017	335,988	(910,247)	(574,259)
At 31 December 2017	<u>335,988</u>	<u>(910,247)</u>	<u>(574,259)</u>
Amortisation			
At 1 January 2017	207,973	(541,072)	(333,099)
Charge for the year	33,600	(65,018)	(31,418)
At 31 December 2017	<u>241,573</u>	<u>(606,090)</u>	<u>(364,517)</u>
Net book value			
At 31 December 2017	<u>94,415</u>	<u>(304,157)</u>	<u>(209,742)</u>
At 31 December 2016	<u>128,015</u>	<u>(369,175)</u>	<u>(241,160)</u>

British American Railway Services Limited

**Notes to the financial statements
For the year ended 31 December 2017**

11. Tangible fixed assets

Group

	Land and buildings £	Plant and machinery £	Vehicles and rolling stock £	Furniture, fittings and equipment £	Total £
Cost or valuation					
At 1 January 2017	5,334,311	411,302	2,735,706	269,838	8,751,157
Additions	-	854	-	7,035	7,889
Disposals	(144,000)	-	(196,649)	-	(340,649)
At 31 December 2017	5,190,311	412,156	2,539,057	276,873	8,418,397
Depreciation					
At 1 January 2017	1,126,487	398,957	2,156,512	212,289	3,894,245
Charge for the year on owned assets	101,240	(5,176)	139,290	27,501	262,855
Disposals	(69,000)	-	(126,569)	-	(195,569)
Impairment charge	(365,095)	-	-	-	(365,095)
At 31 December 2017	793,632	393,781	2,169,233	239,790	3,596,436
Net book value					
At 31 December 2017	4,396,679	18,375	369,824	37,083	4,821,961
At 31 December 2016	4,207,824	12,345	579,194	57,549	4,856,912

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

The net book value of assets held under finance leases or hire purchase contracts, included above, are £Nil (2016: £203,750).

Included in land and buildings is freehold land carried at cost of £1,844,956 (2016: £1,844,956) which is not depreciated.

Included within vehicles and rolling stock are assets at cost of £2,153,028 (2016: £2,153,028) with accumulated depreciation of £1,454,534 (2016: £1,454,534) held for use in operating leases.

British American Railway Services Limited

**Notes to the financial statements
For the year ended 31 December 2017**

12. Fixed asset investments

Company

	Investments in subsidiary companies £
Cost or valuation	
At 1 January 2017	2,652,070
Additions	1,326,381
Disposals	(1,326,391)
At 31 December 2017	<u>2,652,060</u>
Net book value	
At 31 December 2017	<u>2,652,060</u>
At 31 December 2016	<u>2,652,070</u>

Details of the principal subsidiaries can be found in note 25 below.

13. Stocks

	Group 2017 £	Group 2016 £
Raw materials and consumables	158,994	204,954
	<u>158,994</u>	<u>204,954</u>

British American Railway Services Limited

**Notes to the financial statements
For the year ended 31 December 2017**

14. Debtors

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Due after more than one year				
Other debtors	3,656,697	-	3,656,697	-
	<u>3,656,697</u>	<u>-</u>	<u>3,656,697</u>	<u>-</u>

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Due within one year				
Trade debtors	376,017	933,623	-	-
Amounts owed by group undertakings	-	-	-	3,968,039
Other debtors	1,517,020	210,953	1,419,007	16,421
Prepayments and accrued income	247,660	344,232	-	-
	<u>2,140,697</u>	<u>1,488,808</u>	<u>1,419,007</u>	<u>3,984,460</u>

15. Cash and cash equivalents

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Cash at bank and in hand	64,955	161,613	833	15
Less: bank overdrafts	(21,655)	(28,422)	-	-
	<u>43,300</u>	<u>133,191</u>	<u>833</u>	<u>15</u>

British American Railway Services Limited

Notes to the financial statements For the year ended 31 December 2017

16. Creditors: Amounts falling due within one year

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Bank overdrafts	21,655	28,422	-	-
Other loans	1,202,440	2,334,389	1,202,440	1,934,389
Trade creditors	1,065,749	1,255,706	195,824	65,306
Amounts owed to parent undertaking	11,403,228	11,913,825	830,069	5,952,720
Other taxation and social security	215,799	169,645	-	-
Obligations under finance lease and hire purchase contracts	-	6,667	-	-
Other creditors	10,633	515,770	-	-
Accruals and deferred income	1,284,351	485,089	565,093	19,749
	<u>15,203,855</u>	<u>16,709,513</u>	<u>2,793,426</u>	<u>7,972,164</u>

The invoice discounting facilities, included in other creditors, were secured by a fixed and floating charge over the assets of the group, this agreement ended in 2016.

The amounts due to parent undertaking are interest free and repayable on demand.

British American Railway Services Limited

**Notes to the financial statements
For the year ended 31 December 2017**

17. Creditors: Amounts falling due after more than one year

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Other loans	460,481	413,000	160,481	113,000
	<u>460,481</u>	<u>413,000</u>	<u>160,481</u>	<u>113,000</u>

Other loans are secured by a fixed and floating charge over all of the assets of the group. E Ellis, a director of the company, has personally guaranteed £2,059,670 (2016: £2,059,670) relating to loan notes issued.

18. Financial instruments

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Financial assets				
Financial assets measured at fair value through profit or loss	64,955	161,613	833	15
Financial assets that are debt instruments measured at amortised cost	5,370,792	1,030,509	4,978,774	3,984,460
	<u>5,435,747</u>	<u>1,192,122</u>	<u>4,979,607</u>	<u>3,984,475</u>
Financial liabilities				
Financial liabilities measured at amortised cost	(15,428,141)	(16,839,000)	-	-

Financial assets measured at amortised cost comprise trade and other debtors and amounts owed by group undertakings.

Financial Liabilities measured at amortised cost comprise trade and other creditors, amounts due to group undertakings and other creditors.

British American Railway Services Limited

**Notes to the financial statements
For the year ended 31 December 2017**

19. Reserves

Other reserves

This represents the capital contribution upon the purchase of Hanson Traction Limited by Rail Management Services Limited.

Profit & loss account

This reserve comprises all current and prior period retained profits and losses after deducting any distributions made to the company's shareholders.

Share Capital

This represents the nominal value of shares that have been issued by the company.

20. Share capital

	2017 £	2016 £
Allotted, called up and fully paid		
1,000 (2016 - 1,000) Ordinary shares of £1 each	1,000	1,000
	<u>1,000</u>	<u>1,000</u>

21. Discontinued operations

A subsidiary of the company Devon and Cornwall Railway Limited was sold on 17 November 2017.

		£
Consideration		8,000,000
		<u>8,000,000</u>
Net assets disposed of:		
Share capital	(1,326,381)	
Creditors	(44,706)	
	<u>(1,371,087)</u>	1,371,087
Profit on disposal before tax		<u>(6,628,913)</u>

The net inflow of cash in respect of the sale of Devon and Cornwall Railways Limited is as follows:

	£
Cash consideration	3,013,594
Net inflow of cash	<u>3,013,594</u>

British American Railway Services Limited

Notes to the financial statements For the year ended 31 December 2017

22. Pension commitments

The Group operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund and amounted to £16,456 (2016: £15,885).

23. Related party transactions

The group has taken advantage of the exemption provided by Section 33 Related Party Disclosures paragraph 33.1A of Financial Reporting Standard 102 from disclosing related party transactions entered into between the company and other group companies, where the subsidiary undertaking is wholly owned by a member of the group.

Group related party transactions undertaken during the period where the group undertakings party to the transaction with the company are not wholly owned by a member of the group consist of the following:

Creditors amounts due to group undertakings

During the year, the group made net sales of £78,464 (2016: £119,038) to Weardale Railway CIC, a subsidiary of British American Railway Services Limited. As at the balance sheet date, the company was owed £419,203 (2016: £434,758) which is included within 'Debtors: Amounts owed by group undertakings'. No interest is accrued on this balance.

24. Controlling party

The directors consider that the ultimate parent undertaking and controlling party of this company as at the balance sheet date is Iowa Pacific Holdings LLC, a company incorporated in the United States of America. The largest and smallest group of undertakings for which group accounts have been produced is that headed by Iowa Pacific Holdings LLC.

Copies of the Iowa Pacific Holdings LLC financial statements may be obtained from 118 South Clinton Street, Suite 400, Chicago, IL 60661.

British American Railway Services Limited

Notes to the financial statements For the year ended 31 December 2017

25. Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Holding	Principal activity
Rail Management Services Limited	100 %	Maintenance, refurbishment and operation of industrial rail track and the hire of shunting locomotives
Weardale Railways CIC	75 %	Statutory railway and associated leisure activities
Dartmoor Railways CIC	100 %	Statutory railway and associated leisure activities
Devon and Cornwall Railways Limited *	100 %	Provision of freight rail under licence
Hanson Traction Limited	100 %	Dormant
R T Rail Limited	100 %	Dormant
RMS Locotec (IOM) Limited	100 %	Dormant

* This subsidiary ceased to be part of group on completion of its sale on 17 November 2017.